

**BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT  
DISTRICT**

Broussard, Louisiana

Financial Report

June 30, 2012

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## INDEPENDENT AUDITORS' REPORT

### Members of the Board Broussard Environmental Service And Enhancement District Broussard, Louisiana

We have audited the accompanying financial statements of the business-type activity of Broussard Environmental Service and Enhancement District, a component unit of the City of Broussard, Louisiana, as of and for the year ended June 30, 2012, which comprise the basic financial statements of the District as listed in the table of contents. These financial statements are the responsibility of the Broussard Environmental Service and Enhancement District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of the Broussard Environmental Service and Enhancement District, a component unit of the City of Broussard, Louisiana, as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2012 on our consideration of the Broussard Environmental Service and Enhancement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Broussard Environmental Service and Enhancement District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Kolder, Champagne, Slaven & Company, LLC*  
Certified Public Accountants

Lafayette, Louisiana  
December 31, 2012

## BASIC FINANCIAL STATEMENTS

BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Statement of Net Assets  
June 30, 2012

ASSETS

Current assets:

Cash and interest-bearing deposits	\$ 596,263
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LIABILITIES

Current liabilities:

Contracts payable	47,410
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Noncurrent liabilities:

Due to primary government	<u>466,984</u>
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Total liabilities	<u>514,394</u>
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NET ASSETS

Net assets:

Unrestricted	<u>\$ 81,869</u>
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The accompanying notes are an integral part of the basic financial statements.

BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Year Ended June 30, 2012

Operating revenues:	
Charges for services-	
Sewer sales	\$ <u>-</u>
Operating expenses:	
Office supplies	10
Utilities	477
Legal and accounting	13,193
Lease	6,608
Depreciation	<u>135,838</u>
Total operating expenses	<u>156,126</u>
Operating income (loss)	(156,126)
Nonoperating revenues:	
Interest earned	<u>4,103</u>
Change in net assets	(152,023)
Net assets, beginning of year	<u>233,892</u>
Net assets, end of year	<u>\$ 81,869</u>

The accompanying notes are an integral part of the basic financial statements.

BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Statement of Cash Flows  
Year Ended June 30, 2012

Cash flows from operating activities:	
Receipts from customers	\$ -
Payments to suppliers	<u>(20,288)</u>
Net cash provided (used) by operating activities	<u>(20,288)</u>
Cash flows from capital and related financing activities:	
Amounts borrowed from the City of Broussard, Louisiana	1,513,192
Purchases of property, plant and equipment	<u>(3,738,928)</u>
Net cash provided by capital and related financing activities	<u>(2,225,736)</u>
Cash flows from investing activities:	
Interest received	<u>4,292</u>
Net decrease in cash	<u>(2,241,732)</u>
Cash, beginning of year	<u>2,837,995</u>
Cash, end of year	<u>\$ 596,263</u>
Reconciliation of operating loss to net cash used by operating activities	
Operating loss	\$ (156,126)
Adjustments to reconcile operating loss to net cash used by operating activities -	
Depreciation	<u>135,838</u>
Net cash used by operating activities	<u>\$ (20,288)</u>

Noncash investing, capital and financing activities:

On April 10, 2012, Broussard Environmental Service Enhancement District signed an intergovernmental agreement with the City of Broussard to transfer \$11,570,005 of property, plant and equipment in consideration of forgiving \$11,570,005 owed to the City of Broussard.

The accompanying notes are an integral part of the basic financial statements.



BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Notes to the Basic Financial Statements

(1) Summary of Significant Accounting Policies

The financial and reporting policies of the Broussard Environmental Service and Enhancement District ("the District") conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the guidelines set forth in the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of States and Local Governmental Units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 are applied unless they conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Financial Reporting Entity

The District will contract to provide sewerage treatment, processing and recycling services to the City of Broussard, Louisiana when the construction of its sewer treatment facilities is complete.

As the governing entity, the City of Broussard, Louisiana, for reporting purposes, is the financial reporting entity. The financial reporting entity consists of (a) the primary government (City), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City of Broussard for financial reporting purposes. The basic criteria for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the City to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.
2. Organizations for which the City does not appoint a voting majority but are fiscally dependent on the City.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Notes to the Basic Financial Statements (Continued)

Because the City appoints the majority of the District's board members and has the ability to impose its will on the District, the District was determined to be a component of the City of Broussard, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

Fund Financial Statements

The accounts of the District are organized into one proprietary (enterprise) fund. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Enterprises funds distinguish operating revenue and expenses from nonoperating items. Operating revenues are derived from charges for service. All other revenues are reported as nonoperating.

B. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The District utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

The accrual basis of accounting is utilized. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Notes to the Basic Financial Statements (Continued)

C. Capital Assets

All capital assets are stated at historical cost. Depreciation of all exhaustible capital assets used by the enterprise fund is charged as an expense against its operations, and accumulated depreciation is reported on its balance sheet. Depreciation shall be provided over estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Sewer treatment system	20-50 years
Equipment and vehicles	05-10 years

D. Cash and interest-bearing deposits

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the District. For the purpose of the statement of cash flows, cash and cash equivalents include all demand and savings accounts, and certificates of deposit.

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2012, the District had cash deposits (book balances) totaling \$596,263.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances), must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2012, which are required to be secured are as follows:

Bank balances	\$ 596,263
At June 30, 2012, the deposits are secured as follows:	
Federal deposit insurance	\$ 270,770
Pledged securities	325,493
	<u>\$ 596,263</u>

BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Notes to the Basic Financial Statements (Continued)

(3) Capital Assets

Capital asset activity for the year ended June 30, 2012 follows:

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Land	\$ 606,501	\$ -	\$ (606,501)	\$ -
Sewer treatment system	981,109	9,918,695	(10,899,804)	-
Equipment and vehicles	63,700	-	(63,700)	-
Construction in progress	6,755,962	3,162,733	(9,918,695)	-
Totals	8,407,272	3,162,733	(21,488,700)	-
Less accumulated depreciation				
Sewer treatment system	32,704	128,848	(161,552)	-
Equipment and vehicles	37,962	6,990	(44,952)	-
Totals	70,666	135,838	(206,504)	-
Capital assets, net	\$ 8,336,606	\$ 3,026,895	\$ (21,282,196)	\$ -

Depreciation expense for the year ended June 30, 2012 was \$135,838.

The deletions to capital assets include the assets transferred to the City of Broussard.

(4) Due to Primary Government

Due to primary government at June 30, 2012 consisted of the amount advanced to the District by the City of Broussard, Louisiana. On April 10, 2012, the City of Broussard signed an intergovernmental agreement with the District accepting the transfer of all capital assets. After the transfer the amount owed to the City of Broussard was \$466,984. No repayment terms have been established for the remaining obligation.

(5) Board Member Compensation

The board is comprised of eight members. The members' compensation is fixed by the governing body of the City of Broussard. Board members received no compensation for the period ended June 30, 2012.

(6) Risk Management

The District is exposed to risks of loss in the areas of general liability and property hazards. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year. Settlements have not exceeded insurance coverage during the three year period ended June 30, 2012.

BROUSSARD ENVIRONMENTAL  
SERVICE AND ENHANCEMENT DISTRICT

Notes to the Basic Financial Statements (Continued)

(7) Subsequent Event Review

The District's management has evaluated subsequent events through December 31, 2012, the date which the financial statements were available to be issued.

## **COMPLIANCE AND INTERNAL CONTROL**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Directors  
Broussard Environmental  
Service and Enhancement District  
Broussard, Louisiana

We have audited the financial statements of the business-type activity of Broussard Environmental Service and Enhancement District, Louisiana (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the District's management and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Kolder, Champagne, Slaven & Company, LLC*  
Certified Public Accountants

Lafayette, Louisiana  
December 31, 2012



# BROUSSARD ENVIRONMENTAL SERVICE AND ENHANCEMENT DISTRICT

## Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan For the Year Ended June 30, 2012

Reference Number	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Date of Completion
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### **CURRENT YEAR (06/30/12) --**

#### Internal Control:

There were no deficiencies in internal control over financial reporting required to be reported.

#### Compliance:

There were no compliance findings required to be reported.

### **PRIOR YEAR (06/30/11) --**

#### Internal Control:

There were no deficiencies in internal control over financial reporting required to be reported.

#### Compliance:

There were no compliance findings required to be reported.